

AMENDED IN ASSEMBLY MARCH 11, 2010

AMENDED IN ASSEMBLY MARCH 8, 2010

CALIFORNIA LEGISLATURE—2009–10 REGULAR SESSION

ASSEMBLY BILL

No. 1705

**Introduced by Assembly Member V. Manuel Perez
(Coauthor: Assembly Member Skinner)**

February 1, 2010

An act to add Sections ~~17131.3, 24303, and 23456.3~~ *17131.3 and 24303* to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1705, as amended, V. Manuel Perez. Income taxation: exclusion: grants for specified energy property.

The Personal Income Tax Law and the Corporation Tax Law provide various exclusions from gross income that is subject to tax imposed by those laws.

This bill would provide under those laws that gross income does not include any grant to the taxpayer who places in service specified energy property in accordance with the federal American Recovery and Reinvestment Tax Act of 2009, but would require that the amount of any grant be used to adjust the basis of the property in accordance with specified requirements.

This bill would make a legislative finding and declaration as to the public purpose served by the bill.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 17131.3 is added to the Revenue and Taxation Code, to read:

17131.3. Any grant made in any taxable year by the Secretary of the Treasury under Section 1603 of the American Recovery and Reinvestment Tax Act of 2009 (Public Law 111-5) to a taxpayer who places in service specified energy property shall not be includable in the gross income or the alternative minimum taxable income of the taxpayer, but shall be taken into account in determining the basis of the property to which that grant relates, except that the basis of that property shall be reduced using rules prescribed under Section 50(c) of the Internal Revenue Code in the same manner as a credit calculated under Section 48 of the Internal Revenue Code, and adjusted upward in accordance with rules applied by the Secretary of the Treasury under Section 1603(f) of the American Recovery and Reinvestment Tax Act of 2009 (Public Law 111-5).

SEC. 2. Section 24303 is added to the Revenue and Taxation Code, to read:

24303. Any grant made in any taxable year by the Secretary of the Treasury under Section 1603 of the American Recovery and Reinvestment Tax Act of 2009 (Public Law 111-5) to a taxpayer who places in service specified energy property shall not be includable in the gross income or the alternative minimum taxable income of the taxpayer, but shall be taken into account in determining the basis of the property to which that grant relates, except that the basis of that property shall be reduced using rules prescribed under Section 50(c) of the Internal Revenue Code in the same manner as a credit calculated under Section 48 of the Internal Revenue Code, and adjusted upward in accordance with rules applied by the Secretary of the Treasury under Section 1603(f) of the American Recovery and Reinvestment Tax Act of 2009 (Public Law 111-5).

~~SEC. 3. Section 23456.3 is added to the Revenue and Taxation Code, to read:~~

~~23456.3. (a) Section 56(g)(4)(B)(i) of the Internal Revenue Code shall not apply with respect to any grant paid by the United States Treasury pursuant to Section 1603 of Division B of the~~

1 ~~American Recovery and Reinvestment Act of 2009 (Public Law~~
2 ~~111-5).~~

3 ~~(b) This paragraph shall become operative on February 17, 2009,~~
4 ~~and apply for taxable years ending on or after that date.~~

5 ~~SEC. 4.~~

6 *SEC. 3.* The Legislature finds and declares that this act serves
7 a public purpose by ensuring the fair and consistent application of
8 California law to recipients of grants made by the Secretary of the
9 Treasury under Section 1603 of the American Recovery and
10 Reinvestment Tax Act of 2009 (Public Law 111-5).

11 ~~SEC. 5.~~

12 *SEC. 4.* This act provides for a tax levy within the meaning of
13 Article IV of the Constitution and shall go into immediate effect.